

Executive Summary Report

Appraisal Date 1/1/10 - 2011 Assessment Roll

Specialty Name: Hotels/Motels

Sales – Improved Analysis Summary:

Number of Sales: 33

Range of Sales Dates: 1/2007 – 10/2008

Sales - Ratio Study Summary:				
	<i>Average AV</i>	<i>Average Sale Price</i>	<i>Ratio</i>	<i>COV*</i>
2009 Value	\$10,767,000	\$14,006,300	76.90 %	10.98%
2010 Value	\$10,313,900	\$14,006,300	73.60%	7.11%
Change	- \$453,100	0	- 3.30%	- 3.87 %
% Change	- 4.21%	0%	- 4.29%	- 3.52 %

*COV is a measure of uniformity, the lower the number the better the uniformity.

Sales used in Analysis: All improved sales that were verified as good that included land, and were not leased back to the seller, and have not been renovated, segregated or merged since being purchased, were included in the analysis.

The Ratio Study Summary indicates a weighted mean ratio of 73.60%. There have been no market transactions since October of 2008 hence little reliance has been placed on the ratio study.

Population – Parcel Summary Data :			
	<i>Land</i>	<i>Improvements</i>	<i>Total</i>
2009 Value	\$1,054,837,100	\$1,955,916,700	\$3,010,753,800
2010 Value	\$1,056,737,100	\$1,638,681,000	\$2,695,418,100
Percent Change	+ 0.18 %	- 16.22 %	- 10.47 %

Number of Parcels in the Population: 310

Conclusion and Recommendation:

Assessed values for the 2010 revalue have decreased on average **10.47%**.

The values recommended in this report improve uniformity and equity; therefore it is recommended they should be posted for the 2010 Assessment Roll.

Client and Intended Use of the Appraisal:

*This mass appraisal report is intended for use only by the King County Assessor and other agencies or departments administering or confirming ad valorem property taxes. Use of this report by others is not intended by the appraiser. The use of this appraisal, analyses and conclusions is limited to the administration of ad valorem property taxes in accordance with Washington State law. As such it is written in concise form to minimize paperwork. The assessor intends that this report conform to the Uniform Standards of Professional Appraisal Practice (USPAP) requirements for a **mass appraisal report** as stated in USPAP SR 6-8. To fully understand this report the reader may need to refer to the Assessor's Property Record Files, Assessors Real Property Data Base, separate studies, Assessor's Procedures, Assessor's field maps, Revalue Plan and the statutes.*

The purpose of this report is to explain and document the methods, data and analysis used in the revaluation of King County. King County is on a six year physical inspection cycle with annual statistical updates. The revaluation plan is approved by Washington State Department of Revenue. The Revaluation Plan is subject to their periodic review.

Definition and date of value estimate:

Market Value

The basis of all assessments is the true and fair value of property. True and fair value means market value (Spokane etc. R. Company v. Spokane County, 75 Wash. 72 (1913); Mason County Overtaxed, Inc. v. Mason County, 62 Wn. 2d (1963); AGO 57-58, No. 2, 1/8/57; AGO 65-66, No. 65, 12/31/65). The true and fair value of a property in money for property tax valuation purposes is its "market value" or amount of money a buyer willing but not obligated to buy would pay for it to a seller willing but not obligated to sell. In arriving at a determination of such value, the assessing officer can consider only those factors which can within reason be said to affect the price in negotiations between a willing purchaser and a willing seller, and he must consider all of such factors. (AGO 65,66, No. 65, 12/31/65)

Highest and Best Use

RCW 84.40.030 *All property shall be valued at one hundred percent of its true and fair value in money and assessed on the same basis unless specifically provided otherwise by law.*

An assessment may not be determined by a method that assumes a land usage or highest and best use not permitted, for that property being appraised, under existing zoning or land use planning ordinances or statutes or other government restrictions.

WAC 458-07-030 (3) True and fair value -- Highest and best use. *Unless specifically provided otherwise by statute, all property shall be valued on the basis of its highest and best use for assessment purposes. Highest and best use is the most profitable, likely use to which a property can be put. It is the use which will yield the highest return on the owner's investment. Any reasonable use to which the property may be put may be taken into consideration and if it is peculiarly adapted to some particular use, that fact may be taken into consideration. Uses that are within the realm of possibility, but not reasonably probable of occurrence, shall not be considered in valuing property at its highest and best use.*

If a property is particularly adapted to some particular use this fact may be taken into consideration in estimating the highest and best use. (Sammish Gun Club v. Skagit County, 118 Wash. 578 (1922)) The present use of the property may constitute its highest and best use. The appraiser shall, however, consider the uses to which similar property similarly located is being put. (Finch v. Grays Harbor County, 121 Wash. 486 (1922)) The fact that the owner of the property chooses to use it for less productive purposes than similar land is being used shall be ignored in the highest and best use estimate. (Sammish Gun Club v. Skagit County, 118 Wash. 578 (1922))

Where land has been classified or zoned as to its use, the county assessor may consider this fact, but he shall not be bound to such zoning in exercising his judgment as to the highest and best use of the property. (AGO 63-64, No. 107, 6/6/64)

Date of Value Estimate

All property now existing, or that is hereafter created or brought into this state, shall be subject to assessment and taxation for state, county, and other taxing district purposes, upon equalized valuations thereof, fixed with reference thereto on the first day of January at twelve o'clock meridian in each year, excepting such as is exempted from taxation by law. [1961 c 15 §84.36.005]

The county assessor is authorized to place any property that is increased in value due to construction or alteration for which a building permit was issued, or should have been issued, under chapter 19.27, 19.27A, or 19.28 RCW or other laws providing for building permits on the assessment rolls for the purposes of tax levy up to August 31st of each year. The assessed valuation of the property shall be considered as of July 31st of that year. [1989 c 246 § 4]

Reference should be made to the property card or computer file as to when each property was valued. Sales consummating before and after the appraisal date may be used and are analyzed as to their indication of value at the date a valuation. If market conditions have changed then the appraisal will state a logical cutoff date after which no market date is used as an indicator of value.

Property rights appraised:

Fee Simple

Wash Constitution Article 7 § 1 Taxation: *All taxes shall be uniform upon the same class of property within the territorial limits of the authority levying the tax and shall be levied and collected for public purposes only. The word "property" as used herein shall mean and include everything, whether tangible or intangible, subject to ownership. All real estate shall constitute one class.*

Trimble v. Seattle, 231 U.S. 683, 689, 58 L. Ed. 435, 34 S. Ct. 218 (1914) *"the entire [fee] estate is to be assessed and taxed as a unit"*

Folsom v. Spokane County, 111 Wn. 2d 256 (1988) *"the ultimate appraisal should endeavor to arrive at the fair market value of the property as if it were an unencumbered fee"*

The definition of fee simple estate as taken from The Third Edition of The Dictionary of Real Estate Appraisal, published by the Appraisal Institute. "Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."

Assumptions and Limiting Conditions:

1. *No opinion as to title is rendered. Data on ownership and legal description were obtained from public records. Title is assumed to be marketable and free and clear of all liens and encumbrances, easements and restrictions unless shown on maps or property record files. The property is appraised assuming it to be under responsible ownership and competent management and available for its highest and best use.*
2. *No engineering survey has been made by the appraiser. Except as specifically stated, data relative to size and area were taken from sources considered reliable, and no encroachment of real property improvements is assumed to exist.*
3. *No responsibility for hidden defects or conformity to specific governmental requirements, such as fire, building and safety, earthquake, or occupancy codes, can be assumed without provision of specific professional or governmental inspections.*
4. *Rental areas herein discussed have been calculated in accord with generally accepted industry standards.*
5. *The projections included in this report are utilized to assist in the valuation process and are based on current market conditions and anticipated short term supply demand factors. Therefore, the projections are subject to changes in future conditions that cannot be accurately predicted by the appraiser and could affect the future income or value projections.*
6. *The property is assumed uncontaminated unless the owner comes forward to the Assessor and provides other information.*
7. *The appraiser is not qualified to detect the existence of potentially hazardous material which may or may not be present on or near the property. The existence of such substances may have an effect on the value of the property. No consideration has been given in this analysis to any potential diminution in value should such hazardous materials be found (unless specifically noted). We urge the taxpayer to retain an expert in the field and submit data affecting value to the assessor.*
8. *No opinion is intended to be expressed for legal matters or that would require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers, although such matters may be discussed in the report.*
9. *Maps, plats and exhibits included herein are for illustration only, as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose.*
10. *The appraisal is the valuation of the fee simple interest. Unless shown on the Assessor's parcel maps, easements adversely affecting property value were not considered.*
11. *An attempt to segregate personal property from the real estate in this appraisal has been made.*
12. *Items which are considered to be "typical finish" and generally included in a real property transfer, but are legally considered leasehold improvements are included in the valuation unless otherwise noted.*
13. *The movable equipment and/or fixtures have not been appraised as part of the real estate. The identifiable permanently fixed equipment has been appraised in accordance with RCW 84.04.090 and WAC 458-12-010.*
14. *I have considered the effect of value of those anticipated public and private improvements of which I have common knowledge. I can make no special effort to contact the various jurisdictions to determine the extent of their public improvements.*

15. Exterior inspections were made of all properties in the physical inspection areas (outlined in the body of the report) however; due to lack of access and time few received interior inspections.

Scope of Work Performed:

Research and analyses performed are identified in the body of the revaluation report. The assessor has no access to title reports and other documents. Because of legal limitations we did not research such items as easements, restrictions, encumbrances, leases, reservations, covenants, contracts, declarations and special assessments. Disclosure of interior home features and, actual income and expenses by property owners is not a requirement by law therefore attempts to obtain and analyze this information are not always successful. The mass appraisal performed must be completed in the time limits indicated in the Revaluation Plan and as budgeted. The scope of work performed and disclosure of research and analyses not performed are identified throughout the body of the report.

CERTIFICATION:

I certify that, to the best of my knowledge and belief:

- *The statements of fact contained in this report are true and correct*
- *The report analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.*
- *I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.*
- *I have no bias with respect to the property that is the subject of this report or to the parties involved.*
- *My engagement in this assignment was not contingent upon developing or reporting predetermined results.*
- *My compensation for completing this assignment is not contingent upon the development or reporting of predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.*
- *My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.*
- *The area(s) physically inspected for purposes of this revaluation are outlined in the body of this report.*

Analysis Process

Effective Date of Appraisal: January 1, 2010

Date of Appraisal Report: August 5, 2010

Highest and Best Use Analysis

As if vacant: Market analysis of this area, together with current zoning and current anticipated use patterns, indicate the highest and best use of the majority of the appraised parcels as commercial use. Any opinion not consistent with this is specifically noted in the records and considered in the valuation of the specific parcel

As if improved: Based on neighborhood trends, both demographic and current development patterns, the existing buildings represent the highest and best use of most sites. The existing use will continue until land value, in its highest and best use, exceeds the sum of value of the entire property in its existing use and the cost to remove the improvements. The current improvements do add value to the property, in most cases, and are therefore the highest and best use of the property as improved. In those properties where the property is not at its highest and best use, a token value of \$1,000 is assigned to the improvements and the property is returned to the geographical appraiser.

Standards and Measurement of Data Accuracy: Each sale was verified with the buyer, seller, real estate agent or tenant when possible. Current data was verified and corrected when necessary by field inspection, review of plans, marketing information, and rent rolls when available.

Special Assumptions and Limiting Conditions

All three approaches to value were considered in this analysis.

The following Departmental guidelines were considered and adhered to:

- No market trends (market condition adjustments, time adjustments) were applied to sales prices. Models were developed without market trends. The utilization of a minimum of three years of market information without adjustment for time averaged any net changes over that time period.
- This report intends to meet the requirements of the Uniform Standards of Professional Appraisal Practice, Standard 6.

Identification of the Area

❖ **Name or Designation:** Hotels/Motels

❖ **Boundaries:** The properties are located throughout King County.

Maps:

A GIS map of the area is included in this report. More detailed Assessor's maps are located on the 7th floor of the King County Administration Building.

Property Descriptions:

All hotels and motels.

Market Regions:

The Hotel Specialty has been segmented into five market regions for King County. The following is a brief description of each market region

Downtown Hotels & Motels – 160-10

This is primarily the Seattle Central Business District geographic boundary. The region extends from Lower Queen Anne on the north to Safeco Field on the south, from Puget Sound on the west to Broadway on the East. There are presently 70 hotels and motels in this area which comprise 22% of the hotel-motel population.

Greater Eastside Hotels & Motels – 160-20

This region is comprised of all properties located east of Lake Washington from the Bellevue city limits all the way north to the county line. This includes Mercer Island, Bellevue, Issaquah, North Bend, Snoqualmie, Kirkland, Redmond, Woodinville, and Bothell. There are 58 hotels and motels in this region which make up 19% of the total hotel-motel population.

Northend Hotels & Motels – 160-30

All properties west of Lake Washington and from the University District north are in this region. Most of the motels are located along the Aurora Strip. There are 39 hotels and motels in this area which account for 13% of the population.

SeaTac Hotels & Motels – 160-40

Properties located within West Seattle, Renton, Tukwila, South Center, and SeaTac generally describe this region. Many of the hotels and motels are along Pacific Highway S., also called International Blvd. S. There are 91 hotels and motels in this area and they are 29% of the hotel-motel population.

Southend Hotels & Motels – 160-50

Properties located within Kent, Auburn, and Federal Way are in this region and south to the Pierce County line. This area has 52 hotels and motels that make up 17% of the total hotel-motel population.

Hotel & Motel Types:

Hotels and motels have been segregated into two major types. The assessor uses Smith Travel Services to develop income models and several have been developed for each type based on room rate and number of rooms. The following is a brief description of each type of hotel or motel.

Economy/Limited Service Hotels/Motels

Hotels with “rooms only” operation and no food and beverage except possibly continental breakfast are considered limited service. They have lower-tier pricing and do not offer restaurant, lounge, or banquet service. These hotels may or may not possess meeting space. Most limited service hotels are very dependent on their chain affiliation for consumer recognition, reservation contribution, and a perception of quality. There is one model for this category: Limited Service Hotels in the Pacific Region of the country.

Full Service Hotels/Motels

Hotels with restaurant and lounge facilities, meeting space, and a minimum service and amenities level; moderate to lower upper-tier pricing, are full service hotels/motels. Also included are high-quality hotels offering personalized guest services typically with extensive amenities. Highest upper-tier pricing also includes four and five-star resorts. There are four models for this category of hotel. The first model is for hotels with less than 150 rooms. The second model is for hotels with a room count between 150 to 300 rooms. The third model is for hotels that have between 300 to 500 rooms. The fourth model is for hotels with over 500 rooms.

Economic Conditions

Limited-service hotels do not have on-site restaurants or many other amenities that are provided by an employee other than the front desk or maids services. They typically will offer continental breakfasts, vending machine fare, and/or small packaged items, Internet access or swimming pools are also readily available in many of these establishments. Limited-service hotels have increased in numbers. These properties are less costly to construct and maintain. They appeal to budget-conscious families and travelers who are willing to forgo amenities for lower room prices and they depend largely on leisure travelers. A mid-market brand is one that offers a fair quality product at a lower rate by cutting back on or eliminating multiple restaurants, meeting space, room service, bell staff, concierge, business centers, fitness facilities, etc. However, the rooms themselves can be similar to those of more expensive full service lodgings. For the most budget conscious traveler, a lower market brand or independently owned limited service motel offers a place to rest at minimal cost.

Full-service hotels offer an assortment of services for their guests and these almost always include one or more restaurant and beverage service choices other than self-service—from espresso bars and lunch counters to cocktail lounges and elegant restaurants. They usually provide room service. It is also common for these larger full-service hotels to have a variety of retail stores on the premises, such as gift boutiques, newsstands, and drug and beauty counters, some of which may be geared to an upscale clientele. Additionally, most full-service hotels offer guests laundry and valet services, swimming pools, beauty salons, and fitness centers or health spas. A small—but growing—number of hotel chains also administer condominium units in combination with their hotel rooms, providing both hospitality guests and condominium owners with access to the same benefits and amenities.

The largest hotels have banquet rooms, exhibit halls, and ample ballrooms/meeting rooms to accommodate conventions, business meetings, bridal receptions, and other social events. Conventions and corporate gatherings are major sources of revenue for these hotels. Commercial hotels are also known as conference hotels—fully self-contained properties specifically designed for large-scale events. They provide physical fitness and recreational facilities for attendees, in addition to state-of-the-art audiovisual and technical equipment, a business center, and banquet services. Large capacity amphitheaters with lap top and electrical outlets are now found in some hotels.

Full service lodgings, on the other hand, rely extensively on the business travel market. The most experienced and efficient general managers persistently procure corporate contracts that improve occupancy during good times and shelter hotels during tough economic cycles. These managers understand that meeting space, business centers, internet wireless access, convention type facilities, banquet space, and general conveniences expected by the business travel sector are vital to the success of a full service hotel. They also recurrently adapt to the ever changing business world and devise innovative techniques to stay at the forefront of the competition.

The local hospitality industry continues to experience an economic downturn. During 2009, the occupancy levels declined slightly and room prices dropped slightly. Additional hotel rooms contributed to the predicament of lower profit growth rate. Occupancy levels are not expected to improve in 2010. Demand for hotel rooms declined in 2009 due to economic conditions that still linger in 2010. Tighter credit markets and declining profits have impacted hotels negatively as investment vehicles.

The volume of hotel sales in 2009 was limited to bank sales of failing properties. The following is a list of the most significant hotel sales in King County the past two years.

<i>SIGNIFICANT HOTEL SALES</i>					
<i>Hotel Name</i>	<i>Number of Rooms</i>	<i>Sale Date</i>	<i>Excise Number</i>	<i>Sales Price</i>	<i>Price Per Room</i>
<i>Watertown Hotel</i>	<i>100</i>	<i>11/14/2008</i>	<i>2366852</i>	<i>\$28,000,000</i>	<i>\$280,000</i>
<i>Best Western River's Edge</i>	<i>146</i>	<i>8/15/2008</i>	<i>2359711</i>	<i>\$20,000,000</i>	<i>\$136,986</i>
<i>Homewood Suites - Southcenter</i>	<i>106</i>	<i>7/2/2008</i>	<i>2354143</i>	<i>\$9,004,600</i>	<i>\$84,949</i>

The new hotels added in 2010 were the Doubletree Alaska Arctic Club Hotel, The Courtyard at the Alaska Building, the Maxwell Hotel, and Hyatt Place in downtown Seattle as well as the Hampton Inn and Suites in Kent and the Sierra Suites in Redmond. The combined new room count for these hotels is 921.

NEW 2010 HOTELS		
HOTEL NAME	NUMBER OF ROOMS	LOCATION
MAXWELL HOTEL	140	SEATTLE
COURTYARD BY MARRIOTT - THE ALASKA BUILDING	262	SEATTLE
HYATT PLACE	160	SEATTLE
DOUBLETREE ARCTIC CLUB	120	SEATTLE
HAMPTON INN & SUITES	95	KENT
SIERRA SUITES HOTEL	144	REDMOND

There are a number of permitted hotels whose construction has not begun. The Hampton Inn and Suites in Federal Way is currently the only hotel under construction in King County.

HOTELS UNDER CONSTRUCTION 2010		
HOTEL NAME	NUMBER OF ROOMS	LOCATION
HAMPTON INN & SUITES	142	FEDERAL WAY

The capitalization rates increased in 2009 with most national capitalization rates hovering between 9.00% and 10.00%.

HOTEL CAPITALIZATION RATES			
SOURCE	DATE	TYPE	AVERAG E
KORPACZ & URBAN LAND INSTITUTE	2010	LIMITED SERVICE HOTELS	10.83%
KORPACZ & URBAN LAND INSTITUTE	2010	FULL SERVICE HOTELS	10.08%
KORPACZ & URBAN LAND INSTITUTE	2010	LUXURY HOTELS	9.28%
HVS	2010	HOTELS	9.28% - 10.83%
CB RICHARD ELLIS	2009	HOTELS	8.75% - 10%
PKF	2010	HOTELS	10.00%
IRR VIEWPOINT	2010	CBD HOTELS	10.00%
IRR VIEWPOINT	2010	SUBURBAN LODGING	10.00%
IRR VIEWPOINT	2010	AIRPORT LODGING	10.00%

Physical Inspection Area:

- ❖ The physical inspection area for the 2010 revalue included all hotels and motels in geographic area 160-50, South King County. This area encompasses Kent, Auburn, Federal Way, SeaTac, and Enumclaw.

Preliminary Ratio Analysis

A Ratio Study was done August 5, 2010, 2010 with 2009 assessed values. The study included sales of improved parcels and showed a COV of 10.98%.

An additional Ratio Study was completed using the recommended values for 2010. The results are included in the validation section of this report and show a change in the COV from 10.98% to 7.11%.

Scope of Data

Land Value Data

The geographic appraiser in the area in which the specialty property is located is responsible for the land value used by the specialty appraiser. See appropriate area reports for land valuation discussion.

Improved Parcel Total Value Data:

Sales information is obtained from excise tax affidavits and reviewed initially by the Accounting Division, Sales Identification Section. Information is analyzed and investigated by the appraiser in the process of revaluation. A sales questionnaire was mailed to sellers and purchasers of properties which sold in Specialty Area 160. Participation was voluntary and the response was modest. In addition, sales were verified, when possible, by calling either the purchaser or seller, inquiring in the field or calling the real estate agent. Property characteristics are verified for all sales if possible. Due to time constraints, interior inspections were limited. Sales are listed in the "Sales Used" and "Sales Not Used" sections of this report. Additional information resides in the Assessor's procedure manual located in the Public Information area of the King County Administration Building.

Improved Parcel Total Values:

Sales comparison approach model description

The model for sales comparison was based on several data sources from the Assessor's records; whether a full or limited service hotel, number of rooms, year built, effective year, sale date, sale price, and sale price per room. There were 33 improved sales within the hotel/motel specialty dating from 1/2/2007 to 10/8/2008 that were considered fair market transactions. The sales were organized by neighborhood, hotel type (limited service or full service), number of rooms, and quality level. A search was made on data that most closely fit a subject property within each geographic area. All sales were verified if possible by calling either the purchaser or seller, inquiring in the field, sending out a questionnaire, or calling the broker. Characteristic data was verified for all sales if possible. Sales are listed in the attached "Sales Used" appendix report.

Sales comparison calibration

After an initial search for comparable sales within each geographic area a search is made in neighboring areas and expands to include all of the county and nation if necessary. For the hotel specialty, hotel type (limited or full service), number of rooms, and quality level are important.

Cost approach model description

Cost estimates are automatically calculated via the Marshall & Swift cost modeling system. Depreciation was based on studies done by Marshall & Swift Valuation Service. The cost was adjusted to the Western Region and the Seattle area. Marshall & Swift cost calculations are automatically calibrated to the data in place in the Real Property Application.

Cost calibration

The Marshall & Swift cost-modeling system built into the Real Property Application is calibrated to this region and the Seattle area.

Income capitalization approach model description

Five income models were developed for income capitalization of hotels/motels. Each model is specific and is used for any hotel/motel depending on number of rooms, average daily rate, full, or limited service. All expenses used in the five models were obtained from industry averages compiled by the Host Study by Smith Travel Research-2010 Edition. Model examples are contained in the Sample Worksheet Section. The models take into account all of the revenue and expense components that are relevant to the appraisal of hotels: hotel type (full or limited service), number of rooms, average daily rate, occupancy rates, revenue per available room, additional revenues (food, telecommunications, rentals, and other income), departmental expenses, undistributed operating expenses, franchise and management fees, and fixed charges (property taxes and municipal charges, insurance, reserves for capital replacements). The net operating income is capitalized and the personal property is deducted to arrive at the real property value which also generates a price per room and gross revenue multiplier. The assessor utilizes the appraisal methods developed by Stephen Rushmore, MAI. Adjustments are made to the average daily and occupancy rates to reflect the influence of location. Financial data is gathered through physical inspection, sales verification, financial publications, questionnaires mailed by the assessor, and information provided by the appellants for the purposes of appeals.

Income approach calibration

Each hotel and motel was valued on an individual basis. All values were then reviewed and calibrated to market tendencies. The assessor sends out a yearly income survey letter to all hotel owners in order to determine appropriate income and expense parameters.

Income: income parameters relevant to hotels are first and foremost measured by the hotel's Average Daily Rate and its typical occupancy level. Hotels may also generate revenues through other sources such as food and beverage, telecommunications, banquet services, conventions, etc.

Expenses: most hotels' expenses are broken down into several categories: departmental expenses (rooms, food and beverage, telecommunications, other operated departments), undistributed expenses (administrative and general, marketing, utility costs, and property maintenance), franchise and management fees, fixed charges (property taxes and municipal charges), insurance, and reserves for replacement.

Capitalization Rates: the range of capitalization rates used by the assessor was derived from published sources as well as verified sales. Lower capitalization rates were applied to modern and higher quality hotels in the central business districts such as downtown Seattle and downtown Bellevue. Higher capitalization rates were applied to older, lesser quality hotels in more suburban locations.

Reconciliation and or validation study of calibrated value models including ratio study of hold out samples.

All parcels were individually reviewed for correctness of the model application before final value selection. All of the factors used to establish value by the model were subject to adjustment. The market sales approach was considered, but most weight was given to the income approach.

Model Validation

Total Value Conclusions, Recommendations and Validation:

Appraiser judgment prevails in all decisions regarding individual parcel valuation. Each parcel is field reviewed and a value selected based on general and specific data pertaining to the parcel, the neighborhood, and the market. The Appraiser determines which available value estimate may be appropriate and may adjust particular characteristics and conditions as they occur in the valuation area.

The new assessment level is 73.60% and the 2009 and 2010 Ratio Analysis charts are included in this report.

The total assessed value for the 2009 assessment year for Specialty Area 160 was \$3,010,753,800. The total recommended assessed value for the 2010 assessment year is \$2,695,418,100.

The income approach was primarily used to derive the total value for the Hotels. The land values were set by the geographic appraisers then subtracted from the total value to determine the improvement value. Land values appreciated by 0.18% and improvement values decreased by 16.22%. Application of the recommended values for the 2010 assessment year results in a total change from the 2009 assessments of -10.47%.

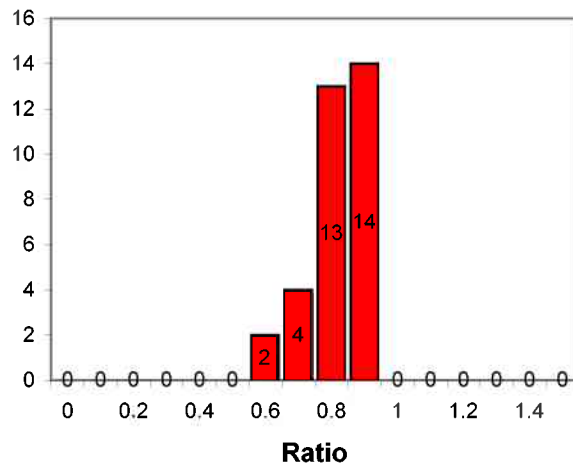
	<i>2009 Total</i>	<i>2010 Total</i>	<i>\$ TOTAL</i>	<i>% Change</i>
<i>TOTAL VALUE</i>	<i>\$3,010,753,800</i>	<i>\$2,695,418,100</i>	<i>-\$315,335,700</i>	<i>- 10.47%</i>

The decrease is primarily due to changes in economy which have negatively impacted the hospitality industry; though King County still experienced new construction of hotels in 2009.

Area 160 - HOTELS
2010 Assessment Year

Parcel Number	Assessed Value	Sale Price	Sale Date	Ratio	Diff: Median
346880-0455	609,500	710,000	1/2/2007	0.8585	0.0863
525430-0015	1,006,300	1,320,000	3/7/2007	0.7623	0.0098
569400-1090	1,024,200	1,427,720	3/12/2007	0.7174	0.0548
250060-0085	1,531,400	2,000,000	3/14/2007	0.7657	0.0065
408880-3586	40,740,500	53,085,173	4/10/2007	0.7675	0.0047
766620-2345	82,889,100	97,440,839	4/10/2007	0.8507	0.0785
172104-9078	2,224,200	3,020,000	4/12/2007	0.7365	0.0357
092104-9291	6,180,900	7,150,000	4/30/2007	0.8645	0.0923
334330-1120	5,618,000	6,700,000	5/11/2007	0.8385	0.0663
322505-9119	23,970,800	28,459,715	5/15/2007	0.8423	0.0701
736060-0195	2,350,800	2,900,000	6/1/2007	0.8106	0.0385
346880-0465	720,000	915,910	6/27/2007	0.7861	0.0139
775980-0010	6,395,400	8,282,500	6/28/2007	0.7722	0.0000
797820-0020	1,530,500	1,785,378	6/28/2007	0.8572	0.0851
344500-0132	7,545,100	9,141,100	6/29/2007	0.8254	0.0532
112405-9118	14,381,000	20,343,811	7/11/2007	0.7069	0.0653
334040-3332	11,958,600	14,708,998	7/11/2007	0.8130	0.0409
242304-9013	12,637,100	16,750,000	7/19/2007	0.7545	0.0177
212104-9078	3,628,200	4,834,902	7/30/2007	0.7504	0.0217
202104-9045	3,596,800	4,500,000	7/31/2007	0.7993	0.0271
094200-0265	17,985,800	22,386,789	9/14/2007	0.8034	0.0313
302408-9064	30,043,200	39,159,369	10/9/2007	0.7672	0.0050
292605-9041	17,259,700	25,758,500	10/23/2007	0.6701	0.1021
193130-0770	1,201,500	1,725,000	11/23/2007	0.6965	0.0756
193130-0775	814,600	990,000	11/23/2007	0.8228	0.0507
000080-0049	4,704,800	6,100,000	1/3/2008	0.7713	0.0009
282605-9136	6,736,900	9,908,322	2/26/2008	0.6799	0.0922
202104-9055	5,167,600	6,300,000	3/18/2008	0.8203	0.0481
797880-0140	1,498,800	2,600,000	6/12/2008	0.5765	0.1957
202104-9045	3,596,800	4,000,000	7/1/2008	0.8992	0.1270
295490-0460	7,515,900	9,004,600	7/2/2008	0.8347	0.0625
000580-0030	10,569,300	20,000,000	8/15/2008	0.5285	0.2437
114200-0755	17,678,400	28,800,000	10/8/2008	0.6138	0.1583

Area 160 - HOTELS
2010 Assessment Year

Quadrant/Crew:	Appr date :	Date:	Sales Dates:
East Crew	1/1/2009	8/5/2010	1/1/07 - 07/31/10
Area	Appr ID:	Prop Type:	Trend used?: Y / N
160	RUPE	Improvement	N
SAMPLE STATISTICS			
Sample size (n)	33	<div>Ratio Frequency</div>  <p>A histogram showing the frequency of ratios. The x-axis is labeled 'Ratio' and ranges from 0 to 1.4. The y-axis is labeled 'Ratio Frequency' and ranges from 0 to 16. There are four bars with the following frequencies: 2 for the first bin (approx. 0.6-0.7), 4 for the second bin (approx. 0.7-0.8), 13 for the third bin (approx. 0.8-0.9), and 14 for the fourth bin (approx. 0.9-1.0). All other bins have a frequency of 0.</p>	
Mean Assessed Value	10,767,000		
Mean Sales Price	14,006,300		
Standard Deviation AV	15,926,480		
Standard Deviation SP	19,438,791		
ASSESSMENT LEVEL			
Arithmetic mean ratio	0.769		
Median Ratio	0.772		
Weighted Mean Ratio	0.769		
UNIFORMITY			
Lowest ratio	0.5285		
Highest ratio:	0.8992		
Coefficient of Dispersion	8.09%		
Standard Deviation	0.0844		
Coefficient of Variation	10.98%		
Price-related Differential	1.00		
RELIABILITY			
95% Confidence: Median		<div>These figures reflect measurements before posting new values.</div>	
Lower limit	0.754		
Upper limit	0.820		
95% Confidence: Mean			
Lower limit	0.740		
Upper limit	0.797		
SAMPLE SIZE EVALUATION			
N (population size)	278		
B (acceptable error - in decimal)	0.05		
S (estimated from this sample)	0.0844		
Recommended minimum:	11		
Actual sample size:	33		
Conclusion:	OK		
NORMALITY			
Binomial Test			
# ratios below mean:	15		
# ratios above mean:	18		
z:	0.348155312		
Conclusion:	Normal*		
*i.e., no evidence of non-normality			

Area 160 - HOTELS
2010 Assessment Year

Parcel Number	Assessed Value	Sale Price	Sale Date	Ratio	Diff: Median
346880-0455	617,300	710,000	1/2/2007	0.8694	0.1399
525430-0015	1,006,300	1,320,000	3/7/2007	0.7623	0.0328
569400-1090	929,500	1,427,720	3/12/2007	0.6510	0.0785
250060-0085	1,364,900	2,000,000	3/14/2007	0.6825	0.0471
408880-3586	37,984,100	53,085,173	4/10/2007	0.7155	0.0140
766620-2345	76,438,400	97,440,839	4/10/2007	0.7845	0.0549
172104-9078	2,017,100	3,020,000	4/12/2007	0.6679	0.0616
092104-9291	5,752,400	7,150,000	4/30/2007	0.8045	0.0750
334330-1120	4,837,600	6,700,000	5/11/2007	0.7220	0.0075
322505-9119	19,623,700	28,459,715	5/15/2007	0.6895	0.0400
736060-0195	2,167,500	2,900,000	6/1/2007	0.7474	0.0179
346880-0465	666,100	915,910	6/27/2007	0.7273	0.0023
775980-0010	5,843,900	8,282,500	6/28/2007	0.7056	0.0240
797820-0020	1,392,200	1,785,378	6/28/2007	0.7798	0.0502
344500-0132	6,477,200	9,141,100	6/29/2007	0.7086	0.0210
112405-9118	14,096,100	20,343,811	7/11/2007	0.6929	0.0366
334040-3332	11,628,000	14,708,998	7/11/2007	0.7905	0.0610
242304-9013	12,705,200	16,750,000	7/19/2007	0.7585	0.0290
212104-9078	3,587,000	4,834,902	7/30/2007	0.7419	0.0124
202104-9045	3,283,400	4,500,000	7/31/2007	0.7296	0.0001
094200-0265	15,477,100	22,386,789	9/14/2007	0.6913	0.0382
302408-9064	28,445,600	39,159,369	10/9/2007	0.7264	0.0031
292605-9041	17,382,900	25,758,500	10/23/2007	0.6748	0.0547
193130-0770	1,169,700	1,725,000	11/23/2007	0.6781	0.0514
193130-0775	802,500	990,000	11/23/2007	0.8106	0.0811
000080-0049	4,852,500	6,100,000	1/3/2008	0.7955	0.0660
282605-9136	7,027,200	9,908,322	2/26/2008	0.7092	0.0203
202104-9055	5,250,000	6,300,000	3/18/2008	0.8333	0.1038
797880-0140	1,846,100	2,600,000	6/12/2008	0.7100	0.0195
202104-9045	3,283,400	4,000,000	7/1/2008	0.8209	0.0913
295490-0460	6,716,300	9,004,600	7/2/2008	0.7459	0.0163
000580-0030	14,677,100	20,000,000	8/15/2008	0.7339	0.0043
114200-0755	21,010,600	28,800,000	10/8/2008	0.7295	0.0000

Area 160 - HOTELS
2010 Assessment Year

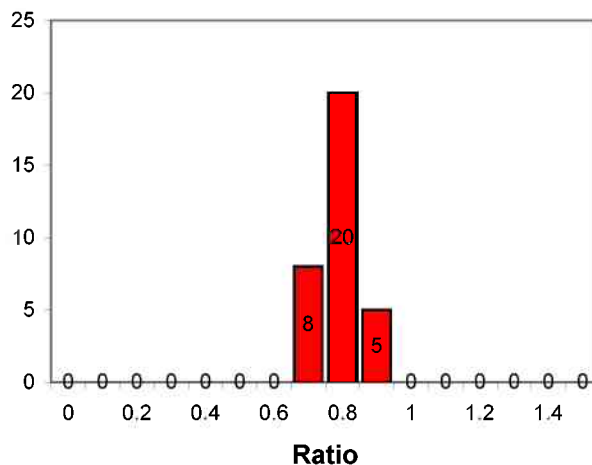
Quadrant/Crew:	Appr date :	Date:	Sales Dates:
East Crew	1/1/2010	8/5/2010	1/1/07 - 07/31/10
Area	Appr ID:	Prop Type:	Trend used?: Y / N
160	RUPE	Improvement	N
SAMPLE STATISTICS			
Sample size (n)	33		
Mean Assessed Value	10,313,900		
Mean Sales Price	14,006,300		
Standard Deviation AV	14,786,659		
Standard Deviation SP	19,438,791		
ASSESSMENT LEVEL			
Arithmetic mean ratio	0.739		
Median Ratio	0.730		
Weighted Mean Ratio	0.736		
UNIFORMITY			
Lowest ratio	0.6510		
Highest ratio:	0.8694		
Coefficient of Dispersion	5.63%		
Standard Deviation	0.0526		
Coefficient of Variation	7.11%		
Price-related Differential	1.00		
RELIABILITY			
95% Confidence: Median			
Lower limit	0.709		
Upper limit	0.759		
95% Confidence: Mean			
Lower limit	0.721		
Upper limit	0.757		
SAMPLE SIZE EVALUATION			
N (population size)	278		
B (acceptable error - in decimal)	0.05		
S (estimated from this sample)	0.0526		
Recommended minimum:	4		
Actual sample size:	33		
Conclusion:	OK		
NORMALITY			
Binomial Test			
# ratios below mean:	19		
# ratios above mean:	14		
z:	0.696310624		
Conclusion:	Normal*		
*i.e., no evidence of non-normality			

Ratio Frequency

Ratio	Ratio Frequency
0.7	8
0.8	20
0.9	5

These figures reflect measurements after posting new values.

Ratio Frequency



These figures reflect measurements after posting new values.

Improvement Sales for Area 160 with Sales Used

08/03/2010

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
160	040	346880	0455	6,116	2260250	\$710,000	01/02/07	\$116.09	AIRLANE MOTEL	C1-40	1	Y	
160	030	525430	0015	8,876	2270169	\$1,320,000	03/07/07	\$148.72	SHORELINE MOTEL	RB	1	Y	
160	030	569400	1090	6,843	2274222	\$1,427,720	03/12/07	\$208.64	THUNDERBIRD MOTEL	C1-40	1	Y	
160	050	250060	0085	28,035	2272505	\$2,000,000	03/14/07	\$71.34	GARDEN SUITE MOTEL	H-C	1	Y	
160	010	408880	3586	153,315	2279213	\$53,085,173	04/10/07	\$346.25	COURTYARD BY MARRIOTT - SEA	SM-65	1	Y	
160	010	766620	2345	254,273	2279192	\$97,440,839	04/10/07	\$383.21	SEATTLE WATERFRONT MARRIOTT	DH2/85	1	Y	
160	050	172104	9078	18,573	2277900	\$3,020,000	04/12/07	\$162.60	ECONO LODGE - FEDERAL WAY	BC	1	Y	
160	050	092104	9291	65,629	2282256	\$7,150,000	04/30/07	\$108.95	BEST WESTERN EXECUTEL	CC	1	Y	
160	020	334330	1120	35,608	2284275	\$6,700,000	05/11/07	\$188.16	ECONO LODGE - RENTON	CA	1	Y	
160	020	322505	9119	122,369	2284533	\$28,459,715	05/15/07	\$232.57	SHERATON BELLEVUE HOTEL	DNTNOL	2	Y	
160	040	736060	0195	16,179	2290314	\$2,900,000	06/01/07	\$179.24	RAMADA LIMITED - SEATAC AIRPORT	RC	1	Y	
160	040	346880	0465	3,764	2294315	\$915,910	06/27/07	\$243.33	MUNSON MOTEL	C1-40	2	Y	
160	040	775980	0010	53,216	2296019	\$8,282,500	06/28/07	\$155.64	COMFORT INN - KENT	GWC	1	Y	
160	050	797820	0020	11,544	2294966	\$1,785,378	06/28/07	\$154.66	EASTWIND MOTEL	BC	1	Y	
160	040	344500	0132	40,410	2295759	\$9,141,100	06/29/07	\$226.21	SLEEP INN - SEA-TAC	CB-C	1	Y	
160	020	112405	9118	67,622	2297391	\$20,343,811	07/11/07	\$300.85	LARKSPUR LANDING BELLEVUE	OLB	1	Y	
160	040	334040	3332	78,157	2297390	\$14,708,998	07/11/07	\$188.20	LARKSPUR LANDING	CO	1	Y	
160	040	242304	9013	88,137	2300450	\$16,750,000	07/19/07	\$190.05	COMFORT SUITES TUKWILA	C/LI	1	Y	
160	050	212104	9078	55,200	2301938	\$4,834,902	07/30/07	\$87.59	SUPER 8 MOTEL	BC	1	Y	
160	050	202104	9045	18,160	2302291	\$4,500,000	07/31/07	\$247.80	DAYS INN - FEDERAL WAY	BC	1	Y	
160	010	094200	0265	67,390	2310590	\$22,386,789	09/14/07	\$332.20	HOTEL VINTAGE PARK	DOC1 U/	1	Y	
160	020	302408	9064	88,802	2314575	\$39,159,369	10/09/07	\$440.97	SALISH LODGE AND SPA	BR2	2	Y	
160	020	292605	9041	103,852	2317477	\$25,758,500	10/23/07	\$248.03	COURTYARD BY MARRIOTT - KIRK	TL 10A	1	Y	
160	030	193130	0770	5,574	2325083	\$1,725,000	11/23/07	\$309.47	MOTEL, SFR, SHED	C1-40	1	Y	
160	030	193130	0775	4,896	2322595	\$990,000	11/23/07	\$202.21	Motel	C1-40	1	Y	
160	050	000080	0049	43,233	2327927	\$6,100,000	01/03/08	\$141.10	TRAVELODGE SUITES	C3	1	Y	
160	020	282605	9136	36,281	2334631	\$9,908,322	02/26/08	\$273.10	COMFORT INN - KIRKLAND	TL 4A	1	Y	
160	050	202104	9055	39,673	2337529	\$6,300,000	03/18/08	\$158.80	QUALITY INN & SUITES - FEDERAL	CE	1	Y	
160	050	797880	0140	12,324	2350663	\$2,600,000	06/12/08	\$210.97	EASTWIND MOTEL ON 330TH	BC	1	Y	
160	050	202104	9045	18,160	2353415	\$4,000,000	07/01/08	\$220.26	DAYS INN - FEDERAL WAY	CE	1	Y	
160	040	295490	0460	78,277	2354143	\$9,004,600	07/02/08	\$115.04	HOMEWOOD SUITES - SOUTHCENT	RCM	1	Y	
160	040	000580	0030	89,245	2359711	\$20,000,000	08/15/08	\$224.10	BEST WESTERN INN SOUTHCENT	TUC	1	Y	
160	030	114200	0755	40,000	2366852	\$28,800,000	10/08/08	\$720.00	WATERTOWN HOTEL	C1-65	1	Y	

Improvement Sales for Area 160 with Sales not Used

08/03/2010

Area	Nbhd	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
160	010	065900	0030	80,538	2324720	\$2,250,000	11/26/07	\$27.94	MAYFLOWER PARK HOTEL	DRC 85-	1	22	Partial interest (1/3, 1/2, etc.)
160	010	065900	0030	80,538	2315222	\$2,250,000	08/17/07	\$27.94	MAYFLOWER PARK HOTEL	DRC 85-	1	18	Quit claim deed
160	010	066000	0010	18,740	2350413	\$25,000	05/22/08	\$1.33	KINGS INN	DMC 240	1	24	Easement or right-of-way
160	010	066000	0010	18,740	2350414	\$25,000	05/22/08	\$1.33	KINGS INN	DMC 240	1	24	Easement or right-of-way
160	010	093900	0080	109,572	2360367	\$6,914,118	08/22/08	\$63.10	ALASKA BLDG	PSM-100	1	11	Corporate affiliates
160	010	094200	0430	391,445	2367464	\$1,500,000	10/14/08	\$3.83	RENAISSANCE MADISON HOTEL	DOC1 U/	3	24	Easement or right-of-way
160	010	197620	0035	416,070	2353308	\$25,000	07/01/08	\$0.06	FOUR SEASONS HOTEL & CONDO	DMC 240	1	24	Easement or right-of-way
160	010	199120	0800	24,930	2292127	\$1,880,000	06/12/07	\$75.41	SEATTLE PACIFIC HOTEL	SM-85	1	1	Personal property included
160	020	322505	9061	324,133	2395743	\$25,781	06/12/09	\$0.08	HILTON HOTEL - BELLEVUE	OLB	1	24	Easement or right-of-way
160	020	334330	1120	35,608	2434487	\$4,350,000	03/25/10	\$122.16	GUEST HOUSE INN & SUITES - RE	CA	1	61	Financial institution resale
160	020	334330	1120	35,608	2425154	\$3,775,130	01/04/10	\$106.02	GUEST HOUSE INN & SUITES - RE	CA	1	31	Exempt from excise tax
160	030	282710	0025	16,486	2342370	\$63,860	03/26/08	\$3.87	ECONO LODGE - SHORELINE	RB	1	24	Easement or right-of-way
160	040	000320	0006	0	2400083	\$11,700	07/09/09	\$0.00	TOWNE & COUNTRY SUITES MOT	RCM	1	24	Easement or right-of-way
160	040	302305	9117	49,260	2304969	\$10,645,000	08/15/07	\$216.10	CLARION INN - RENTON	CA	1	N	
160	040	302305	9117	49,260	2434018	\$5,400,000	03/23/10	\$109.62	CLARION HOTEL - RENTON	CA	1	61	Financial institution resale
160	040	358529	0010	64,294	2438567	\$2,000	04/16/10	\$0.03	MARRIOTT TOWNEPLACE SUITES	M1-C	1	24	Easement or right-of-way
160	050	000080	0040	12,960	2409116	\$2,010,000	09/22/09	\$155.09	NENDELS VALU INN	C3	1	15	No market exposure
160	050	202104	9045	18,160	2289907	\$3,300,000	06/07/07	\$181.72	HOLIDAY INN EXPRESS-FEDERAL	BC	1	N	
160	050	202104	9045	18,160	2287394	\$2,660,000	05/07/07	\$146.48	HOLIDAY INN EXPRESS-FEDERAL	BC	1	11	Corporate affiliates
160	050	215640	0322	9,419	2355250	\$900,000	07/10/08	\$95.55	3 BEARS MOTEL	PR-C1	1	13	Bankruptcy - receiver or trustee
160	050	232204	9068	34,786	2424163	\$2,900,000	12/30/09	\$83.37	DAYS INN - KENT	GC-MU	1	61	Financial institution resale
160	050	292104	9052	4,323	2387561	\$10,635	01/27/09	\$2.46	SIESTA MOTEL	CE	1	24	Easement or right-of-way
160	050	797820	0020	11,544	2356197	\$450,000	06/28/07	\$38.98	EASTWIND MOTEL	BC	1	52	Statement to dor